

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

PURCHASED GAS ADJUSTMENT)
FILING OF WESTERN) CASE NO. 8227-D
KENTUCKY GAS COMPANY)

O R D E R

On October 9, 1981, the Commission issued its order in Case No. 8227, approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased.

On May 7, 1982, Western Kentucky Gas Company ("Western") filed with the Commission its notice of an increase in rates from one of its suppliers, Tennessee Gas Pipeline Company ("Tennessee Gas").

On November 30, 1981, Tennessee Gas filed Substitute Fourth Revised Sheet No. 20 and Substitute Third Revised Sheet No. 21 to Original Volume No. 1 of its FERC gas tariff. The revised tariff sheets reflect an increase in the overall level of Tennessee Gas' rates to provide additional revenues necessary to offset a revenue deficiency based on the cost of service and revenues at present rates for the test period. These tariff sheets

also reflect the current purchased gas cost rate adjustment, the surcharge for amortizing the unrecovered purchased gas cost account pursuant to section three of Article XXIII of the general terms and conditions, the surcharge to recover curtailment credits pursuant to section nine of Article XXIV of the general terms and conditions and group research institute rate adjustment pursuant to Article XXVII of the general terms and conditions. Tennessee Gas proposed that these tariff sheets become effective on January 1, 1982. However, pending hearing and decision by FERC, the tariff sheets were accepted for filing and suspended for the full statutory period of five months until June 1, 1982, when they shall be permitted to become effective subject to refund.

As a result of the changes effective as aforesaid the cost of gas to Western for the 12-month period ended March 31, 1982, would have increased \$522,550.

After reviewing this evidence of record and being advised, the Commission is of the opinion and finds that:

(1) The Public Service Commission is being asked to approve a price increase already approved by the FERC when it granted Western's supplier, Tennessee Gas, a wholesale gas cost increase. We are of the opinion that failure to allow this increase to be passed through to its retail consumers on a timely basis would be unfair and unjust to Western and would ultimately result in higher rates to their consumers in any event. The Commission has (in writing) indicated its opposition to the procedures and regulations

used by the federal agency in approving these supplier increases since 1975. We continue to be opposed and are continuing to seek alternative ways to overcome the regulatory inequities which have such a direct impact on the retail consumers.

(2) Western's supplier, Tennessee Gas, has filed revised tariff sheets reflecting an increase in rates with the FERC and said increase is to become effective June 1, 1982.

(3) The application filed May 7, 1982, reflected Tennessee Gas' rates as filed with the FERC, to be effective June 1, 1982.

(4) The magnitude of this filing exposes Western to substantial under-recovery of its gas costs if the rates are not implemented in a timely manner.

(5) The Commission should waive its policy of requiring evidence of FERC acceptance in this case and allow Western to place into effect subject to refund the rates in Appendix A.

(6) Western's adjustment in rates under the purchased gas adjustment provisions approved by the Commission in its order in Case No. 8227, dated October 9, 1981, is fair, just and reasonable, in the public interest and should be effective with gas supplied on and after the date the increased cost of wholesale gas becomes effective, subject to refund.

(7) Western's Base Supplier Rate for purchased gas will be as follows:

	<u>Demand/Mcf</u>	<u>Commodity/Mcf</u>
Texas Gas Transmission Corporation		
G-2	\$ 2.36	\$3.0341
G-3	2.76	3.0829
G-4	3.15	3.1202
	<u>Commodity</u>	<u>Gas Rate</u>
Tennessee Gas Pipeline Company		
G-2	\$.3574	\$2.7022
GS-2	.7669	2.7022
Local Producers	--	3.1736

(8) Western's adjustment in rates under the purchased gas adjustment clause, as set out in Exhibit D, page 1 of its notice herein, in the amount of 44.96 cents per Mcf, is fair, just and reasonable and in the public interest and should be allowed to become effective for service rendered on and after the date the increased cost of wholesale gas becomes effective.

IT IS THEREFORE ORDERED that said purchased gas adjustment sought by the Western, as set forth in Exhibit D, page 1 of its notice, be and hereby is approved to be effective for service rendered on and after the date the increased cost of wholesale gas becomes effective, subject to refund, for all customers in Appendix A attached hereto and made a part hereof.

IT IS FURTHER ORDERED that Western shall maintain its records in such manner as will enable it, or the Commission or any of its customers, to determine the amounts to be refunded and to whom due in the event a refund is ordered by the Commission.

IT IS FURTHER ORDERED that for the purpose of the future application of the purchased gas adjustment clause of Western the base rate for purchased gas shall be:

	<u>Demand/Mcf</u>	<u>Commodity/Mcf</u>
Texas Gas Transmission Corporation		
G-2	\$ 2.36	\$ 3.0341
G-3	2.76	3.0829
G-4	3.15	3.1202
	<u>Commodity</u>	<u>Gas Rate</u>
Tennessee Gas Pipeline Company		
G-2	\$.3574	\$ 2.7022
GS-2	.7669	2.7022
Local Producers	--	3.1736

IT IS FURTHER ORDERED that the information furnished this Commission Western on May 7, 1982, constitutes full compliance with the Commission's Order in Case No. 8227, and any other information ordinarily required to be filed under the Commission's regulations is hereby waived.

IT IS FURTHER ORDERED that within 30 days from the date of this Order, Western shall file with this Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 18th day of May, 1982.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8227-D DATED MAY 18,
1982

The following rates are prescribed for the customers in the area served by Western Kentucky Gas Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the date of this Order.

RATES:

Applicable to all rate schedules

Purchased Gas Adjustment

To each bill rendered under all rate schedules there shall be added an amount equal to: 44.96 cents per Mcf of gas used during the billing period.